



United Kingdom - Government to Cancel Abolition of 45% Tax Rate

As we reported in [GMS Flash Alert 2022-172](#), the Chancellor of the Exchequer, Kwasi Kwarteng, announced a Growth Plan to the U.K. Parliament on 23 September.¹ As part of this Growth Plan, the Chancellor had announced that the 45% top rate of income tax would be abolished from 6 April 2023.²

However, following significant push-back from across the political spectrum, the Chancellor has now announced that the proposed abolition of the 45% top rate will **not** go ahead.³

WHY THIS MATTERS

The personal income tax rates are of great interest to employers, as these impact the cost of assignments, payroll withholding, and hypothetical tax deductions.

Employers appreciate certainty when planning assignments, and therefore may be concerned that the government is announcing changes to the income tax rates only to roll these back a week later.

What Will Change, What Will Not

The additional rate of income tax currently applies at a rate of 45% for income over £150,000. Although it was originally announced in the Growth Plan that this would be abolished from 6 April 2023, this will no longer be going ahead.

The Chancellor also announced in the Growth Plan that the basic rate of income tax would be reduced from 20% to 19% from 6 April 2023. It is understood that this change will still be going ahead, as is the repeal of the Health and Social Care Levy.

It is not clear yet whether the Chancellor will also reverse the abolition of the additional dividend tax rate.

The tax rates for Scottish and Welsh taxpayers will be set by the Scottish Parliament and Welsh Senedd respectively later in 2022.

The updated income tax rates for the 2023/24 U.K. tax year following the latest announcement are shown in the table below.

2023/24 tax year		
	Rate	Threshold
Personal Allowance	0%	£12,570
Basic rate	19%	£0 - £37,700
Higher rate	40%	£37,701 - £150,000
Additional rate	45%	Over £150,000

Source: KPMG LLP (U.K.)

The U.K. income tax rates and other measures announced in the Growth Plan will be legislated for in the next Finance Bill. The timing of this has not been announced yet; however, it is expected that this will be enacted in Q1 2023.

KPMG LLP (U.K.) NOTE

It is essential to get in front of the changes described in this newsletter and to communicate quickly and clearly with key stakeholders, so that they can properly plan, budget, and make necessary adjustments.

KPMG LLP (U.K.) will endeavour to continue to keep readers informed of any further developments that concern individuals, including those on international assignments, and their multinational employers.

FOOTNOTES:

1 For the U.K.'s "Growth Plan 2022," see: <https://www.gov.uk/government/publications/the-growth-plan-2022-documents>.

2 For coverage by KPMG LLP U.K. of the Autumn 2022 Growth Plan, see [GMS Flash Alert 2022-172](#) (27 September 2022).

3 Kwarteng, K [@KwasiKwarteng]. (2022, 3 October). *We get it, and we have listened* [Tweet]. Twitter <https://twitter.com/KwasiKwarteng/status/1576820620293468160>.

* * * *

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in the United Kingdom:



Mike Lavan
Director

Tel. +44 (0) 78 8005 4696

mike.lavan@kpmg.co.uk



Nicola Sard
Senior Manager

Tel. +44 (0) 20 7694 3592

Nicola.Sard@kpmg.co.uk

The information contained in this newsletter was submitted by the KPMG International member firm in the United Kingdom.

© 2022 KPMG LLP a U.K. limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

www.kpmg.com

kpmg.com/socialmedia



© 2022 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG LLP is the U.S. firm of the KPMG global organization of independent professional services firms providing Audit, Tax and Advisory services. The KPMG global organization operates in 147 countries and territories and has more than 219,000 people working in member firms around the world.

Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click here. To learn more about our GMS practice, please visit us on the Internet: click here or go to <http://www.kpmg.com>.